

AN ANALYSIS OF DEVELOPMENT PLANS IN
THE KINGDOM OF SAUDI ARABIA

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ABSTRACT

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An Analysis of Development Plans in the Kingdom of Saudi Arabia

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The primary objective of this paper is to analyze the first three five-year development plans of Saudi Arabia (1970-1985) to determine whether or not they attained their projected objectives. The significance of the study lies in the fact that development planning is an integral part of the development process in Saudi Arabia and considering the huge sums of money involved, it is pertinent that their success or failure is examined.

The major finding of this study is that the three development plans indeed achieved and, in the case of the second and third plans, exceeded their objectives.

The study utilized descriptive analysis. Information in the study was obtained primarily through government documents, journals, and other periodicals.

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I. INTRODUCTION

Development planning helps a country to use its natural resources more effectively, to boost the economy, improve social welfare, provide employment, income, basic needs, and raise the standard of living. Such development is aimed at bringing changes in the economic and social structures.

Development planning should be formulated to match the available resources of the country to ensure the achievements of its objectives by eliminating dependence on foreign assistance. This is the objective Saudi Arabia has tried to achieve through its development plans.

The Kingdom of Saudi Arabia is the creation of King Ibn Saud. His final conquests in the period after World War II brought under one rule a territory that had been fragmented and disunited from earlier times except for a brief period under Mohammed Ibn Abdul Wahhab and his successors.¹

Abdal Aziz Ibn Abdarrahnman Al Saud established the Kingdom through a combination of tribal conquests and diplomatic maneuvering over a period of twenty-five years,

¹George A. Lipsky, Saudi Arabia: Its People, Its Society, Its Culture (New Haven, Connecticut: HRAF Press, 1959), p. 8.

and in 1932, he proclaimed the creation of the Kingdom of Saudi Arabia. Saudi Arabia was named after the House of Al Saud and was ruled by its first two monarchs as if it were a tribal confederation. Abdal Aziz was a political and religious leader of some genius, who also laid the foundation for the complex administrative machinery that accompanied the discovery of oil.²

The development of the oil industry has been the most important element in the recent history of Saudi Arabia. In May 1933, Standard Oil of California secured a concession from Ibn Saud; and oil was struck in large quantities at Dammam in December 1938.³

The increased petroleum exports became the key to Saudi Arabia's growth. The government was able to channel significant funds into the long awaited development.

Saudi Arabia has been a monarchy since 1932. The constitution of the country is based on Islamic (Sharia) tenets as prescribed in the holy Quran. There is no separately written constitution. The Sharia is the source of the law of the country. The King has the power of a

²Richard F. Nyurop and Benderly, Carter, Eglin and Kirchner, Area Handbook for Saudi Arabia (Washington, D.C.: United States Government Printing Office, 1977), p. 9.

³Lipsky, Saudi Arabia: Its People, Its Society, Its Culture, p. 17.

Prime Minister and he is the political leader. The Council of Ministers has the executive power.

The major and various religious groups have a powerful influence on the people and the Royal Family as well. Saudi rulers have had varied successes in managing the economy, especially since the exploration of oil caused exposure of Western socio-economic values to the social fabric of the country.⁴ Saudi citizens accept modernization, but at the same time, they do not want to change their Islamic traditional values in favor of modern life styles. Islam affects every aspect of life in Saudi Arabia. Since the starting of development plans, thousands of foreign workers came to Saudi Arabia from different countries. They came from countries having different ideologies. Yet, their influence could not change their basic social and traditional values.

Economic Setting

The discovery of oil in 1938 had changed the economic situation. It had impact not only on economic but also on society and politics. Oil revenue continued to increase in the 1950s and 1960s. In 1970, the country became one of the major producers and the largest exporter

⁴Ragaei El Mallakh, Saudi Arabia, Rush to Development (Baltimore: The John Hopkins University Press, 1982), p. 25.

of oil. As a result of export, oil revenue increased. In 1971, the production of oil increased and the price also increased. After 1974, consequent to astronomical increases in oil prices, the growth reached a high figure of Saudi Riyal (SR) 368 billion.

The increases in the country's revenues led to the launching of the first five-year development plan.⁵ The general objectives of the development policy implicit in the plan were to increase the productive capacity of the economy and to raise the standard of living and provide welfare to the people of Saudi Arabia. At the same time, the plan intended to provide for national security and to maintain economic and social stability along the path of development.

A second five-year plan was launched between 1975 and 1980. Two fundamental guidelines were carefully delineated in it. The first was the construction of large factories, e.g., petrochemical, petroleum refinery, steel and iron, glass and aluminum complexes.⁶ The recommendation was to build these factories on the western and eastern coasts of the Kingdom, specifically in the towns of Jubail and Yanbu. Secondly, there was a great emphasis on the maximum utilization of the Kingdom's mineral resources.

⁵Ibid., p. 145.

⁶Fouad Al-Farsy, Saudi Arabia, A Case Study in Development (Boston: Kegan Paul International, Inc., 1982), p. 145.

The third development plan was drawn for 1980-85.⁷ At the beginning of the Third Plan period, Saudi Arabia ranked as one of the world's foremost financial powers, with great international strength based on its wealth and ranked as a major oil exporter to the "free world."

The primary objective of this paper is to analyze these development plans. The paper is divided into six sections. Section One presents the Introduction and Section Two covers the Statement of the Problem. The Literature Review is done in Section Three, while the Methodology is contained in Section Four. Section Five contains the Analysis. Conclusions and Recommendations are offered in Section Six.

⁷E1 Mallakh, Saudi Arabia, Rush to Development (Baltimore: The John Hopkins University Press, 1982), p. 214.

II. STATEMENT OF THE PROBLEM

The result of increased export of oil from Saudi Arabia by 1970 led to increased revenue. It became necessary to devise ways for efficient management of the economy. The growth of the economy encouraged the government to launch development plans. The first five-year development plan (1970-1975), the second five-year development plan (1975-1980), the third development plan (1980-1985), and the fourth development plan (1985-1990) on the basis of scientific planning. These plans have caused some problems. The problems which are being discussed are related to the achievement of the plan objectives.

Principally, the development programs have caused inflation. The price of land, housing construction, and materials more than doubled. The cost of living has also increased significantly. Table 1 shows the cost of living index during the first two plan periods.

Therefore, the purpose of the paper is to analyze the first three development plans; First Plan (1970-1975), Second Plan (1975-1980), and the Third Plan (1980-1985) to see whether or not they have attained their projected objectives. The Fourth Plan is not included because it runs through 1990.

TABLE 1
PRICE TRENDS DURING THE FIRST AND SECOND PLANS

Price Changes	First Plan (1970/71-1974/75)			Second Plan (1975/76-1978/79)		
	% Change on Previous Years in:			% Change on Previous Years In:		
	<u>1st yr</u>	<u>5th yr</u>	<u>5 yr period</u>	<u>1st yr</u>	<u>4th yr(e)</u>	<u>4th yr period(e)</u>
1. Cost of Living Index	4.9	34.5	15.8	31.5	3.5	10.5
2. Transaction Prices (GDP Deflators)	2.7	25.6	11.6	40.4	9.2	21.1

Note: (e) Estimated values

Source: Ministry of Planning. Third Development Plan 1980-1985 (Riyadh, Kingdom of Saudi Arabia: Ministry of Planning, n.d.), Table 2-12, p. 45.

III. REVIEW OF LITERATURE

The Meaning of Development

The concept of development is elusive; it is perceived not only as a goal to be attained, but also as the capacity to grow and change and develop.⁸ Some scholars have provided varied definitions of development. Some of them regard development as the transformation from agrarian to industrial society. For others, it means decreases in poverty, unemployment, and income inequality. To some economists, it means an increase in income, goods, and services over a period of time. To others, it is the achievement of specific goals and objectives set to be achieved within a specific time frame by planners. To others, it is providing high standards of living for the people and increasing the rate of economic growth.

According to George F. Gant, there are three purposes of development:

1. The world's knowledge and processes for development, if applied, should make it possible to meet essential needs and satisfy basic wants, even under changing conditions and even higher standards of what the minimum requirements are. Even though draughts

⁸George F. Gant, Development Administration: Concepts, Goals, Methods (Madison, Wisconsin: The University of Wisconsin Press, 1979), p. 6.

still bring crop failures and starvation, and even though swollen populations make the task greater, the job can be done. Certainly the first and highest goal of any legitimate development program is to accomplish this purpose - the elimination of poverty.

2. Certainly a concern of development is the quality of life beyond mere sustenance as assured by respect for the rights of human dignity and liberty. This is the second highest purpose of development.
3. The capacity for development is the third conceptualization of development, along with development as a condition and development as a goal. This capacity, in private and public sectors, consists of the methods and systems and activities by which development policies, projects, and programs are carried out to accomplish the specific goals of development, goals which are articulated for a particular period of time and place. The capacity for development also includes the will of the people, and their preparedness as individuals - through or in spite of their social institutions - to engage in risk-taking and other adventures which promise change for the better while threatening change for the worse.⁹

According to Juliet Clifford and Gavin Osmond, development in the latter description draws attention roughly to the same phenomena: Progress; economic and social change; economic development; change in income per

⁹Ibid., pp. 8-9.

head; change in economic welfare; and so on. Most of these concepts imply an element of qualitative judgement; they are not just matters of direct measurement, but carry the implication that certain state of affairs is desirable.¹⁰

It is possible to identify a number of important changes in the concept of development since these terms were first used in relation to countries or groups of people. In particular, there has been a move away from development as a process of economic growth designed to achieve a society modeled on the so-called developed nations, towards development as the process of improving the general quality of life - or meeting the basic needs - of the majority of the people.¹¹

Development does not start with goods; it starts with people; their education, organization and discipline (Schumacher, 1974: 140-41). Without these three, all resources remain latent, untapped potential. Here, then, lies the central problem of development and the reason why development cannot be an act of creation or why it cannot be bought or accelerated through aid. It requires a process of evaluation. If aid is given to introduce certain new

¹⁰Juliet Clifford and Gavin Osmond, World Development Handbook (London: Charles Knight and Co., Ltd., 1971), p. 16.

¹¹Diana Conyers and Petter Hills, An Introduction to Development Planning in the Third World (New York: John Wiley and Sons, 1984), p. 13.

economic activities, the activities will be beneficial and viable only if they can be sustained by the already existing educational level of fairly broad groups of people, and they will be truly valuable only if they promote and spread advances in education, organization and discipline (Schumacher, 1974: 140-41). It means that development entails a direct internal attack on poverty seriously. It will not go on mechanically. It will concern itself with people because people represent the primary source and the ultimate beneficiaries of the development process. It means at least, the provision of basic needs for the masses.¹²

The experience of the past quarter of a century indicates that rapidly changing and disparate theories of economic development have been, and will continue to be, uncertain propositions that are spaced by complex processes of political interaction and social learning. But the administrative procedures that are used by international organizations and the governments of developing countries to apply development theories have never adequately reflected these underlying uncertainties. Nor have those, who have applied them, recognized explicitly that all development policies are really social experiments. Governments and international organizations still attempt to use planning

¹²Kempe Ronald Hope, The Dynamics of Development and Development Planning in the Third World (New York: John Wiley and Sons, 1984), pp. 36-37.

and management techniques to control development activities rather than to facilitate and encourage the flexibility, experimentation, and social learning that are essential for implementing development projects successfully. Administrators have yet to come to grips with the experimental nature of development policies and with the uncertainties inherent in their implementation.¹³

The Concept of Planning

Diana Conyers and Peter Hills define planning as a continuous process which involves decisions, or choice, about alternative ways of using available resources, with the aim of achieving particular goals at some time in the future.

Planning as Means of Achieving Goals

The concept of planning as a means of achieving goals raises issues about the nature of the goals and the process of goal formulation. One of the problems which planners often have to face is that their goals are not adequately defined. Very often, they are too vague. For example, the goal of 'increasing agricultural production' would not provide much guidance for the agricultural

¹³Dennis A. Rondinelli, Development Projects As Policy Experiments: An Adaptive Approach to Development Administration (New York: Methuen and Company, 1983), pp. 1-2.

planners. In other cases, the goals are unrealistic, given the resources available to achieve them. In many cases, planners are also faced with the task of trying to achieve more than one goal and on some occasions one of these goals is inconsistent with another. Thus, it would be difficult for planners to maximize output per hectare and reduce inequalities between farmers because these two goals are often in conflict with each other. Less common, but more serious when it occurs, is the situation where there are no meaningful goals at all, or where the goals are obviously contrary to the interest of the majority of the country's population.¹⁴

The Framework of Planning

Planning represents an attempt to coordinate economic decision making over the long run in order to give direction to and accelerate a country's development. The process involves choosing social objectives, setting various targets, disseminating information, as well as organizing a framework for the implementation and monitoring of the plan.¹⁵

¹⁴Conyers and Hills, An Introduction to Development Planning in the Third World, pp. 5-6.

¹⁵Charles R. Blitzler, Peter B. Clark and Lance Taylor, Economic-Wide Models and Development Planning (London: Oxford University Press, 1975), p. 2.

Strategic planning involves the allocation of resources to programmed activities calculated to achieve a set of business goals in a competitive environment. Corporate planners look upon strategic planning as an instrument around which all other plan/control systems - budgeting, information, compensation, and organization - can be integrated. Hence, strategic planning is the vehicle available to corporate planners for solving the company's future problems, including the current ones.¹⁶

From another viewpoint, most of the strategic planning information received by top management and corporate planners is by-product information originally generated for individuals in lower-level positions in the organization. They have received information based on someone asking the wrong question. "What else can we do with the information that we have already collected?" instead of "What information do corporate planners really need to allow them to explore future problems and their related opportunities?"¹⁷

¹⁶Robert J. Thierauf, A Problem-Finding Approach to Effective Corporate Planning (Westport, Conn.: Greenwood Press, Inc., 1987), p. 121.

¹⁷Ibid.

The Concept of Development Planning

Development planning aims at securing economic and social progress in a steady and orderly manner by selecting best available alternatives for the utilization of scarce resources to achieve specific goals. It is a process through which the resources of a country are utilized on the basis of certain principles and policies laid down to bring about a sizable sustained growth in the real income of the people to improve their living standards. For this, it makes appropriate choices regarding the direction and the rate of change and growth, compatible with the available resources.¹⁸

Development planning can be defined as:

...deliberate, rational, continuous efforts by governments to accelerate the process of development and to channel into desired directions by means of the comprehensive and detailed choice of objectives and the determination and allocation of the resources necessary for their achievement.¹⁹

Historical Background of Development Planning

Since all countries seek to develop and since planning forms an integral part of any development effort,

¹⁸A.F.S. Salahuddin, Development Planning and Financing (Karachi, Pakistan: Salahuddin and Salahuddin, 1973), p. 19.

¹⁹Robert E. Asher and Others, eds., Development of the Emerging Countries: An Agenda for Research (Washington, D.C.: The Brookings Institute, 1962), p. 46.

several countries embark on development planning. The concept of development planning expanded world wide after World War II in Europe. Before that, the only country that engaged in development planning was the Soviet Union. Their first five-year plan was in 1929. After the success of the first five-year plan in the Soviet Union, it made an impression on some countries which also started development planning. India and France are among those countries which started such planning.

The emerging countries which achieved their independence, motivated by their desires to join the ranks of advanced countries, adopted planning as a device for speedy growth.

Planning was not the most important aspect of the development process for the developed countries, but for the developing countries, it became virtually a "pre-condition."

The Role of Development Plans in a Country's Development

According to Coralie Bryant and Louis G. White, the tasks of national development planning are:

1. Collecting and assessing aggregate indicators of the nation's economic and social conditions.
2. Collecting and assessing data on major sectors within the nation's economy.

3. Identifying the relationships between sectors in order to specify areas of essential activity for key problems.
4. Specifying alternative approaches for the amelioration of problems affecting the whole economy and those affecting particular sectors.
5. Identifying the allocative implications of alternative approaches.
6. Identifying and specifying alternatives to top decision makers, usually at the cabinet level, laying out their implications in light of sectoral linkages.
7. Following up on decisions taken in earlier planning discussions.
8. Continual monitoring of the indicators of national economic and social well-being and of the sectoral linkages.
9. Carrying out evaluations and insuring that results are included in successive plans and policy discussions.²⁰

Not all these tasks are done by all planning agencies, but they are the major ingredients of the planning process. The need for development plans as the instruments for economic growth and national development is recognized by developing countries.

The process of development plans involves defining objectives and targets to ensure reconciliation of needs with available resources. In addition to basic needs,

²⁰Coralie Bryant and Louise G. White, Managing Development in the Third World (Boulder, Colorado: Westview Press, Inc., 1982, p. 238.

development plans should make provision for higher standards of living, and rapid industrial and economic growth.²¹

The role of development plans from an economic viewpoint is the good of growth of Gross National Product (GNP) and the change in economic structure. It also means a structural change in economy that makes it possible for the redistribution of wealth of a nation to different levels of the society.

A clear definition of national objectives is essential to planning. Without such a definition, plan targets are likely to be arbitrarily chosen. Where a government defines its objectives precisely, a sound basis exists for preparing a development plan. But most governments are unable or unwilling to define their development objectives. This leads to a confusion of objectives which generally indicates uncertainty about what authorities and planners expect from their plans. The failure to reconcile incompatible plan objectives makes it difficult to formulate policies and measures for implementing a plan.²²

²¹Salahuddin, Development Planning and Financing, p. 20.

²²Albert Waterston, Development Planning: Lessons of Experience (Baltimore: The John Hopkins University Press, 1965), p. 168.

Importance of Development Planning

In developing countries, there is a need for development planning, because among other things, the private sector is unable or unwilling to undertake long-term plans or projects. Development planning is also necessary to improve conditions, to eliminate shortages of manpower and shortages of skilled workers, to improve inefficient administrative systems, and to generate limited capital infrastructure. Many writers agree that poor countries need comprehensive planning as precondition for the development of these countries. Comprehensive planning includes such goals and objectives as, better health, more food, better education, etc. for the people. To achieve these goals, it is necessary to determine the available national resources.

Development planning is important for improving economy, raising standards of living, by using the available resources effectively, and for meeting the basic needs of human beings.

Problems Associated With Development Planning

There are many problems associated with development planning. One problem which often arises is lack of coordination between the agencies involved with the implementation of the plan. Coordination is necessary to achieve success of the plan objectives. Another problem that occurs is based on the relation and interaction among the politicians, the planners and the traditional

administrators. Each of them may play his/her role reasonably by his/her own rights, because of basic differences in the way they approach their joint task. Sometimes, they have different information with which each deals. For example, planners' concern for the long run and response to public opinion about the short run, but the political leaders are concerned about the short run because they want to stay in power and keep their positions. This happens because of their education and experience which have molded them.²³

Diana Conyers and Peter Hills summarized the major problems associated with development planning as:

1. too much emphasis on the plan and not enough on its implementation;
2. overemphasis on the medium term; (such plans were rarely 'operationally oriented' and no real attempt was made to consider how they might be implemented;
3. excessive rigidity; and
4. difference in perspective and inadequate communication between politicians, planners, and administrators.²⁴

²³Conyers and Hills, An Introduction to Development Planning in the Third World, p. 47.

²⁴Ibid.

Economic growth is a major goal for development planning, but sometimes may hamper the achievement of other goals such as social equity.²⁵

Further, inflation can affect development planning in any type of economy, whether developed or developing. It can lead to income redistribution in favor of wealth holders. It can also be hard on persons with fixed incomes.

Success of development planning is also dependent on the level of cooperation, coordination, and participation among the government agencies and between these agencies and private sector. If the level of cooperation is high, it will be a successful plan. If such cooperation becomes lacking, shortfall in the plan may occur as a result.

²⁵Ibid.

IV. METHODOLOGY

The writer utilized a descriptive approach in this study. This approach was chosen because it enabled the writer to analyze in detail the development plans implemented in Saudi Arabia.

The descriptive approach to analysis is useful in social studies according to Miller and Wilson, because it denotes "the search for and refinement of useful variables and the specification of the association between them."²⁶ It also helps to explain a phenomenon and can lead to hypothesis or theories that will aid the prediction of other phenomena.²⁷

Earl Babbie also stated that descriptive approach in analysis allows the writer to critically analyze in great detail problems of the phenomenon which is being studied.²⁸

The data for this study were obtained from Saudi Arabian government documents, books, periodicals and newspapers.

²⁶McC. P. Miller and M.J. Wilson, A Dictionary of Social Methods (New York: John Wiley and Sons, 1982), p. 1.

²⁷Ibid.

²⁸Earl Babbie, The Practice of Social Research (Los Angeles: Wadsworth, Inc., 1983), p. 98.

V. ANALYSIS

Development and Planning in Saudi Arabia

The Central Planning Organization (CPO) was established in 1964. The establishment of the CPO was based on the recommendations submitted by the Ford Foundation team about the reorganization of the planning body. The Ford Foundation was contracted in 1963 to reorganize all government agencies and institutions. The Foundation was also responsible for establishing new agencies, institutions, and modernizing the work methods and the systems. The Central Planning Organization (CPO), in cooperation with the economic advisors of the Ford Foundation, submitted a report entitled "Planning for Growth."

The Council of Ministers' Resolution No. 430, set out the functions and objectives of the CPO as:

- A. To prepare a periodic economic report on the Kingdom, containing an economic analysis and showing the scope of progress achieved and prospective developments.
- B. To prepare economic development plans, provided that the First Plan be a five-year plan and be approved by the Council of Ministries before being put into effect.
- C. To estimate the total funds required for the implementation of the development plans approved by the Council of Ministers.

- D. To conduct economic studies required for relevant projects and to submit its recommendations thereon.
- E. To assist ministers and independent agencies in their planning affairs. To submit technical advice on matters raised by His Majesty the King.²⁹

The Stanford Research Group (SRG) is one of the major foreign advisory groups which has worked within the CPO/Ministry of Planning since 1976.³⁰

The role of the Stanford Research Group within the Ministry of Planning may be described as follows:³¹

1. To assist in the formulation of the country's developmental plans under the direction of the Ministry.
2. To assist the Ministry in recruiting the proper personnel needed for its staff in a direct manner; direct contracting on behalf of the Ministry.
3. To assist the Ministry in its follow-up and evaluation of the various projects and plans.
4. To render advice and conduct research on specific subjects when asked to do so by the Ministry.

The CPO in August 1970 submitted to the King the now-famous first development plan, 1970-1975.

²⁹Al-Farsy, Saudi Arabia: A Case Study in Development, p. 73.

³⁰Ibid., p. 74.

³¹Ibid., p. 75.

The Planning System in the
Kingdom of Saudi Arabia

The Ministry of Planning is responsible for the preparation and coordination of all sectoral plans. The plans were prepared according to the guidelines of strategies as approved by the Ministerial Council. The five-year plans include:³²

- The plan document, outlining the medium term economic policies and development strategy;
- Detailed operation plans for each Ministry and public agency, which set the government expenditures and development programs; these become the guidelines for the annual budgets which function as the main annual instruments of economic policy.
- For the private sector, the planning system defines the regulatory and economic framework in which to operate - the likely course of the economy, related government policies, and potential business opportunities. For government ministries and agencies, the operation plans conform directly with the national development strategy through a set of objectives and policies which related the agency's function to the plan strategy, and through a set of developmental programs, containing a number of specific projects, which are also based on the development strategy. Thus, operation plans serve the function of:
 - identifying the main development activities of the respective ministry or agency;
 - outlining the key areas of plan follow-up and implementation control.

³²Ministry of Planning, Summary of the Fourth Development Plan (Riyadh, Saudi Arabia: Ministry of Planning, April 1985), p. 83.

The Fourth Plan introduced new emphasis in this planning system:³³

- First, the 'program approach' which requires government agencies to pay as close attention to spending between programs as to projects within the programs, since the proportional balance between programs reflects the plan strategy;
- Second, a distinction is made between the essential 'priority projects' and other 'acceptable projects' the latter will be implemented subject to prevailing funding conditions;
- Third, the annual budgeting process requires a detailed cost efficiency analysis for each substantial project, whether 'priority' or 'acceptable.'

The First Development Plan (1970-1975)

When the first five-year development plan was launched, its specific goals were:³⁴

1. Increasing the rate of growth of gross domestic product (GDP).
2. Developing human resources so as to enable different elements of society to contribute more effectively to production and participate fully in the process of development.
3. To diversify sources of national income and reduce dependence on oil by increasing the contribution of other productive sectors to the domestic product.
4. To lay the foundation for sustained economic growth. Furthermore, the purpose of the plan to provide a rational and orderly approach to

³³Ibid., pp. 83-84.

³⁴Al-Farsy, Saudi Arabia: A Case Study in Development, p. 141.

achieving the nation's development objectives. The plan was not intended to be a rigid, restrictive set of rules and regulations but a means of bringing increased rationality into public sector programs by establishing priorities and integrating activities to avoid bottlenecks and ensure coordination.

Achievements of the Plan

The first five-year development plan achieved the following:

- Water supply projects for six major cities were undertaken.
- Five desalination plants on the Red Sea coast and two on the Arabian Gulf started operation.
- Production in agriculture continued to grow slowly.
- Production of crude petroleum and prices were increased.
- New gas-oil separator capacity, water-injection facilities, natural gas liquid processing plants, and supporting facilities were installed.
- Four licenses for the exploration and development of mineral resources were issued to private mining companies.
- Action was taken to improve the electricity system and reduce electricity tariffs. The installed capacity for production of electricity rose from 418 megawatts (MW) to about 1500 MW. Electricity sold increased from 1.7 billion kilowatt-hours to 4 billion kilowatt-hours.
- Expansion of manufacturing not based on hydrocarbons exceeded the target set in the first development plan but petroleum refining and hydrocarbon-based industry fell short of their respective plan targets. The operating factories rose from 207 in 1970 to more than 800 factories in 1975.
- All major commercial and administrative centers within the Kingdom were interconnected with roads and routes. Telecommunications systems have not

kept pace with the growth in demand for services. The postal service is inadequate. The network of paved roads (inter-city) expanded from 8,000 kilometers in 1970 to about 14,000 kilometers in 1975. The number of telephones actually operating rose from 29,000 in 1970 to 100,000 in 1975.

- Substantial progress has been made in the development of municipalities during the First Plan. The number of communities with municipality status grew from 45 to 85.
- Housing construction has not kept pace with urban growth. Approximately 75,000 standard or better urban dwellings were constructed during the First Plan period with an estimated need for new and replacement units of 154,000. Shortages or rising costs of labor, land, and materials have been largely responsible for the slow growth in housing supply, but lack of construction and mortgage financing has also been a major factor.³⁵

Table 2 shows the government revenue and expenditure, both recurrent and projected for the 1971-1975 period.

The government revenue earning during the First Plan period was higher than the government expenditures because of the increase in oil revenues government revenue was SR 180.6 billion and government expenditure was SR 86.56 billion, as shown in Table 3.

The annual rate of growth of imports was 30 percent between 1970 and 1975. This growth created overcrowding of berthing problems for the ports. The handling capacity of

³⁵Ministry of Planning, Second Development Plan, pp. 49-54.

TABLE 2
GOVERNMENT REVENUES AND EXPENDITURES
IN THE FIRST PLAN
(SR Billions)

	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>Total</u>	<u>Projection</u>
Government Revenue	7.9	11.1	15.4	44.8	101.4	180.6	33.8-37.4
Government Expenditures	6.4	8.3	10.1	19.5	42.2	86.5	41.3
Recurrent	4.1	4.9	5.9	9.2	27.2	51.3	22.9
Projects	2.3	3.4	4.2	10.3	15.0	35.2	18.4

Source: Ministry of Planning, Achievement of the First and Second Development Plans (Riyadh, Saudi Arabia: Ministry of Planning, 1982), pp. 2-3.

TABLE 3

GROSS DOMESTIC PRODUCT IN CURRENT PRICES, 1970-75
(SR Millions at Producers' Values)

<u>Private</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
Agriculture	984.1	1015.5	1058.7	1138.7	1243.1	1409.0
Crude petroleum and natural gas	8106.3	12581.3	16931.5	26284.3	74634.0	121232.0
Other mining and quarrying	46.7	50.3	58.7	90.4	125.8	175.3
Petroleum refining	1240.9	1474.2	1441.6	1810.8	5215.8	7494.7
Other manufacturing	431.2	483.6	543.0	617.1	738.1	901.8
Electricity, gas, water, and sanitary services	273.1	297.9	302.2	319.1	353.6	333.3
Construction	933.9	1007.0	1173.8	1808.9	2791.7	4362.0
Wholesale and retail trade, restaurants, and hotels	1007.5	1067.5	1177.0	1553.5	2037.9	2580.0
Transport, communication and storage	1242.5	1479.3	1567.4	2121.3	2787.6	3637.8
Ownership of dwellings	661.0	727.0	800.0	1000.0	1293.6	1636.7
Finance, insurance, real estate, and other business services	354.7	376.6	411.4	522.5	681.8	895.2
Community, social, and personal services Less imputed bank service charges	(46.0)	(49.6)	(50.0)	(51.0)	(56.7)	(63.0)
Total Private	15474.2	20776.0	25712.4	37554.5	92257.0	145117.2

TABLE 3 cont'd:

<u>Government</u>						
Public Administration	657.8	693.2	827.6	934.9	1055.3	1291.4
Education	378.4	414.9	501.4	621.9	735.5	1026.8
Health	89.3	98.2	102.1	136.7	160.9	256.5
Subtotal	1125.5	1206.3	1431.1	1693.5	1951.7	2574.7
Defense	549.5	584.5	641.1	704.0	813.6	1025.4
Total Government	1675.0	1790.8	2072.2	2397.5	2765.3	3600.1
<u>GROSS DOMESTIC PRODUCT</u>						
(excluding import duties)	17149.2	22566.8	27784.6	39952.0	95022.3	148717.3
Import duties	246.0	340.1	400.0	463.5	550.0	82.7
GDP (at market prices)	17395.2	22906.9	28184.6	40415.5	95572.3	148800.0
<u>Summary</u>						
<u>Private sector</u>						
Oil	9347.2	14055.5	18373.1	28095.1	79849.8	128726.7
Non-oil	6127.0	6720.5	7339.3	9459.4	12407.2	16390.5
Government Sector	1675.0	1790.8	2072.2	2397.5	2765.3	3600.1
Total non-oil	7802.0	8511.3	9411.5	11856.9	15172.5	19990.6

Source: Ministry of Planning. Second Development Plan 1975-1980 (Riyadh, Saudi Arabia: Ministry of Planning, n.d.), p. 21.

the two major ports, Jeddah and Dammam, were much less than the volume of imports.

According to Al-Farsy, lessons learned from the first development plan are as follows:

Perhaps the most significant outcome of the first five-year plan is the planning experience gained by the Central Planning Organization. Undoubtedly, the Saudi planners are no beginners at the game. They are now (with the beginning of the Kingdom's second five-year plan) ready to tackle a job, nine times bigger than that of the First Plan.³⁶

The first goal of the First Plan was to increase the rate of growth of GDP. This goal was achieved at the following level: In 1969/70, the GDP was SR 17.4 billion which rose to SR 54.2 billion in 1981/82.

This increase was in both oil and non-oil sectors, such as agriculture, manufacturing, mining and utilities. However, the big percentage of GDP came from the oil sector. In the first two years of the First Plan, the price of petroleum had risen about four times. This increase in price had an effect on the annual rate of growth of national income between 1971 and 1974. The percentage distribution of non-oil GDP increased from 3.9 percent in 1969/70 to 9.9 percent over the first three years of the plan. This was the achievement of the third goal of the plan.

³⁶Al-Farsy, Saudi Arabia: A Case Study in Development, p. 144.

The human resources sector developed rapidly during the First Plan period. For example, enrollment in all educational institutions rose from 547 thousand in 1969/70 to over one million in 1974/75. In technical education, the number of students rose from 899 to 3,500. During the same period, the number of hospital beds rose from 9,000 in 1970 to over 12,000 in 1975, and the number of persons benefitting from social security rose from 64,000 in 1969/70 to 450,000 in 1974/75. Table 3 indicates the magnitude of the changes that took place at the completion of the First Plan.

From these figures, it is clear that indeed good progress was made during this period. Yet, the progress in the health sector was much less than in other sectors. The increase in hospital beds was about 3,000 during the plan period. The increase should be more than that since the plan period spanned a five-year period and the revenue of the government was larger than the expenditures during the plan period.

The Second Five-Year Plan (1975-1980)

Unlike the first development plan, the government revenues increased during the Second Plan period and the expenditure also increased about nine times. The Saudi planners were no beginners at the game this time. They were now (with the beginning of the Kingdom's second five-year

plan) ready to tackle a job nine times bigger than that of the First Plan.³⁷

The goals of the plan were to:³⁸

1. Maintain the religious and moral values of Islam.
2. Assure the defense and internal security of the Kingdom.
3. Maintain a high rate of economic growth by developing economic resources, maximizing earnings from oil over the long-term, and conserving depletable resources.
4. Reduce economic dependence on export of crude oil.
5. Develop human resources by education, training, and raising standards of health.
6. Increase the well-being of all groups within the society and foster social stability under circumstances of rapid social change.
7. Develop the physical infrastructure to support achievement of the above goals.

Achievements of the Plan

1. Growth of Gross Domestic Product (GDP) 1399-1400 H. (1979-1980).

An average annual rate of GDP was	8.4%
An average annual rate of Non-oil sectors	15.1%
An average annual rate of Oil Sectors	4.8%
(As shown on Table 3.)	

³⁷Ibid., p. 144.

³⁸Ministry of Planning, Second Development Plan 1975-1980 (Riyadh, Saudi Arabia: Ministry of Planning, n.d.), p. 4.

2. Prices and cost of living - The cost of living grew at an annual rate of 16.5% over the 1970-80 period.
3. Agriculture production (selected products):
 - Wheat production grew 9.8% yearly; from 130 thousand tons to 158 thousand tons.
 - Citrus fruit production grew 13% yearly; from 13 thousand tons to 34 thousand tons.
 - Grapes production grew 9.5% yearly; from 24 thousand tons to 57 thousand tons.
 - Dates production grew 7.5% yearly; from 240 thousand tons to 441 thousand tons.
4. Electricity production - The capacity for production of electricity rose from 418 MW to 7028 MW representing an average annual growth rate of 34.5%.
5. Water Desalinization - The water supplied by the desalinization plants increased more than eight times; rising from 4.6 to 37.7 million U.S. gallons per day.
6. Roads:
 - Paved roads (inter-city roads) expanded from 8,021 kilometers to 20,238 kilometers over the 1390/1400 H. (1970-1980) period.
 - Earth-surfaced roads in rural areas expanded from 3,487 to 24,186 kilometers. These roads served more than 7000 villages in the Kingdom.
7. Ports - The number of berths at all seaports rose from 27 in 1975 to 101 in 1980. The handling capacity rose from 6.1 million tons to 37.8 million tons.
8. Telephones - Number of telephones actually operating in the Kingdom rose from 29 thousand to 320 thousand representing an average annual growth of 24 percent.
9. Education:
 - Number of schools rose from 3,100 to over 11,000 representing an average annual growth of 14.5 percent. In other words, about 2.2

schools were added every day in the Kingdom during the ten year period 1970-1980.

- Number of teachers went up from 23 thousand to over 78 thousand showing an average annual growth of 14 percent.
 - Number of students - total enrollment in educational institutions rose from 545 thousand to 1.5 million. Growth of enrollment averaged 10.5 percent per year.
 - Vocational training - The enrollment in institutions giving vocational training rose from about 500 to over 11,000.
10. Health - The number of hospitals increased from 47 to 69 while that of hospital beds increased from 7,165 to 11,968. The medical and para-medical staff employed by the Ministry of Health increased more than three-fold; rising from 4,494 to 14,946 over the ten-year (1970-1980) period.
 11. Social Security - Number of persons benefitting from social security payments rose from nearly 200 thousand to 850 thousand representing an average growth of 16.7 percent per annum.
 12. Social Insurance - The cumulative number of employees covered by social insurance increased from 145 thousand in 1973 (when the scheme began) to 1.6 billion in 1980 corresponding to an average growth of 41.4 percent per annum.³⁹

The Second Plan period was very different from the First Plan period. The financial stability of the Kingdom had become favorable. There was no problem of money, but the problems were infrastructural and in manpower constraints. These two factors limited the overall growth in spite of a high growth rate of the economy.

³⁹Ministry of Planning, Achievements of the First and Second Development Plans (Riyadh, Kingdom of Saudi Arabia: Ministry of Planning, 1982), pp. 20, 30-56.

The Second Plan put much emphasis on education that reflected in the establishment of a large number of new schools, institutions, and vocational training programs.

One of the important achievements of the development in Saudi Arabia has been the creation of the industrial complexes at Jubail and Yanbu. On September 21, 1975, the Royal Commission for Jubail and Yanbu established the complexes through Royal Decree M/75. Jubail is expected to cost SR87 billion (\$23.2 billion) and the Yanbu SR25 billion (\$6.6 billion) when fully completed. At the end of the Third Plan, eleven primary industries became operational in Jubail and five in Yanbu.

However, the major goal for building these two industrial complexes was to convert crude and natural gas of the Kingdom into petrochemical products. One objective of the Second Plan was to reduce the economic dependence on export of oil. The construction of these two complexes can be called an achievement toward that objective. The increase in agricultural products has been another achievement toward the development of agriculture, which was one major objective of the Second Plan.

As a result of fast development during the Second Plan period, the education sector expanded. About 2.2 schools were added to the existing numbers every day. But most of these schools had to rent private buildings in the beginning. However, those rented buildings were not

suitable for school purposes but for habitation. These buildings did not have the necessary facilities such as laboratories, normal size classrooms, playgrounds, etc. In fact, the second development plan achieved most of its goals effectively.

The major problem of the Second Plan was inflation. Table 1 shows that inflation was at the highest point during the first year of the second development plan in terms of GDP. The general government spending rose from SR 6 billion in 1969/70 to SR 283 billion in 1980/81, and this increase in expenditure became a parallel source of inflation. In case of development planning, if the rate of inflation could not be controlled, or if this rate was underestimated, then the financial requirements in implementing the plan would be underestimated.

The government took measures to control inflation by controlling government spending, increasing the flow of imported goods and services, by control of the fixed retail prices and rents, subsidizing the cost of food, and by reducing tariffs. The main reason for taking these measures was to protect the citizens from inflation risk. As a result of these measures, inflation had been controlled and the rate of inflation dropped from 31.5 percent in the first year of the Second Plan to 3.5 during the same plan period in terms of GDP.

Inflation created a big problem for large groups of people with low incomes, especially for those who were uneducated, untrained, and residing in isolated rural villages. Many in the low-income groups had received assistance and remedial programs. But such assistance and programs were not enough to raise the standard of living for these groups. In this case, there should have been much emphasis on social programs. Special and comprehensive programs should have been created to develop communities in terms of health, education, training, etc. There was some emphasis on community development programs in the Third Plan. However, there was dependence on government aid among some sections of the population to improve their living standards.

During the Second Plan period, revenues earned were more than the expenditures. The share of oil revenue was 75.8 percent, and the share of non-oil revenue was 24.2 percent. As such, there was no problem with sufficient funds to achieve the goals of the plan.

The expansion of physical infrastructure helped to achieve the goals of the plan. This was brought about through modern telecommunication systems linking cities and towns with each other and with the world's countries by microwave network. Over 1,200 municipal projects were completed during the Second Plan period, such as, water pipelines, water tanks and wells, drainage, sewage and flood

protection schemes, asphaltting of roads and street lighting projects.

When compared with the First Plan achievements, it is clear that during the Second Plan, there was emphasis on human resources development, such as, increase in education system, social security, social insurance, and health services. In addition to the new hospitals, 1,300 dispensaries, clinics, and health centers were established by 1980. Medical education and training was emphasized with the opening of the new medical colleges in King Abdul Aziz and King Faisal Universities. By 1979/80, there were nearly 2,700 enrolled medical students.

In spite of expanded and improved health services, improved physical environment, better health education and preventive medicine, high rates of infant mortality, malnutrition, and serious diseases still existed. In other words, the health services were not enough to meet all the needs for proper health care. Progress in the Second Plan was summed up by El Mallakh as

All in all, the Second Plan period was one of considerable progress in Saudi Arabia. Favorable growth rates were attained, inflation was reduced, absorptive capacity was increased, and infrastructure was improved - all in a period of relative social stability.⁴⁰

⁴⁰El Mallakh, Saudi Arabia, Rush to Development, p. 210.

The Third Development Plan

In 1980, the second development plan ended after five successful years of development. One of the important achievements of the Second Plan was the experience gained by the Saudi planners. The achievement of the Second Plan was very significant both in volume and value.

At the beginning of the Third Plan period, Saudi Arabia ranked as one of the world's foremost financial powers, and the major oil exporter to the free world. The Third Plan was continued toward the long-term goals for development, but it concentrated on new areas. Some of these were the modified strategies of the first two plans. In this Third Plan, much emphasis was placed on productive resources such as agriculture, minerals, hydrocarbons, and manufacturing industries.

The strategies for the Third Plan were:⁴¹

1. Structural Change in Economy
2. Participation and Welfare in Development;
3. Economic and Administrative Efficiency.

Change in the Economy

The plan provided for structural change in the economy through policies that contained three main areas of

⁴¹Ministry of Planning, Third Development Plan (Riyadh, Saudi Arabia: Ministry of Planning, 1980-1985), pp. 75, 78, 82.

TABLE 4

GROSS DOMESTIC PRODUCT SR MILLIONS
IN CONSTANT 1399/1400 PRICES
1977/1980

	<u>1394/95</u>	<u>1399/1400</u>	Second Annual Growth Rates in Percent	
			<u>Planned</u>	<u>Actual</u>
1. <u>Non-Oil Economy</u>	66,723.1	134,967.1	13.3	15.1
1.1 <u>Producing Sectors</u>				
Agriculture	2,505.8	3,259.4	4.0	5.4
Mining	679.1	1,497.5	15.0	17.1
Manufacturing	3,303.4	6,753.3	14.0	15.4
Utilities	117.5	350.1	15.0	17.7
Construction	20,291.9	45,994.3	15.0	17.7
Subtotal	28,897.7	57,854.6	13.0	16.6
1.2 <u>Service Sectors</u>				
Trade	6,439.1	17,447.1	15.0	22.1
Transport	7,756.1	20,277.5	15.0	21.1
Finance ⁽¹⁾	7,137.8	13,144.2	9.7	13.0
Other Services	2,741.3	5,257.3	14.0	13.9
Government ⁽²⁾	15,751.1	21,036.4	12.9	6.0
Subtotal	39,825.4	77,112.5	3.3	14.1
2. <u>Oil Sectors</u>	176,076.3	222,274.4	9.7	4.8
<u>Gross Domestic Product⁽³⁾</u>	242,799.4	357,341.5	10.0	8.0

(1) Includes GDP from ownership of property.

(2) Includes contribution to GDP of non-civilian employment.

(3) Excludes import duties.

Source: Ministry of Planning. Third Development Plan 1980-1985
(Riyadh, Saudi Arabia: Ministry of Planning, n.d.), p.
28.

economic activities: oil and gas production, the productive sectors of agriculture, industry and mining, and development of infrastructure. In the Third Plan, the policies of production of oil and gas would be at a rate which would conserve this wealth for the longest possible time, and fix the levels of crude production to generate revenue to cover the financial needs for development.

Development of agriculture, industry, and mining became one of the fundamental long-term goals of development and diversification of the economy. The government encouraged the private sector by giving priority to investment in the producing sectors of agriculture, mining, and industry. Development of the hydrocarbon industries was envisaged to help maximize the value-added from oil production.⁴²

Participation and Welfare in Development

The second objective of the Third Plan emphasized the development of human resources and stimulate the participation of all citizens in development including strengthening of Islamic faith directed toward the well-being of the society. Specific goals were: to encourage and assist all members of Saudi society to make an effective contribution, as far as they could to the development of the

⁴²Ibid., pp. 75-77.

nation; to ensure that all regions and areas of the Kingdom had the opportunity to develop their full potential, and that they are provided with the full range of government services; to assist Saudi society in dealing with the problems of rapid economic and social change; to control inflation to acceptable levels and to reduce government subsidies without affecting lower income groups; to expand and improve the social services.⁴³

The Third Plan also put much emphasis on health services, health education, preventive medicine and primary care in all regions and also the action of the provision of welfare and cultural services to the society.

Economic and Administrative Efficiency

This objective was concerned with the improvement of the economic and administrative system. Four main areas were focused on in the plan:

1. Administrative Development. The particular objectives for administrative development are to introduce basic changes in government administration; to attain optimum utilization and performance of manpower; and to ensure that all managerial and senior administrative positions are held by Saudi citizens.⁴⁴

⁴³Ibid., p. 78.

⁴⁴Ibid., p. 82.

The administrative development program included the improvement of the personnel management system by placing greater emphasis on training.

2. Manpower Development. Has the highest national priority, since the effective utilization of available manpower is the key element in the whole strategy for the Third Plan. There are four particular objectives for manpower development: to increase the total numbers of available manpower; to increase the productivity of manpower in all sectors; to deploy manpower to those sectors with the greatest potential for growth and highest productivity levels; to reduce dependence on foreign manpower.⁴⁵

The objectives of manpower development were to be achieved through increased emphasis on education, training, research and administrative measures. All of these were considered in the Third Plan.

3. Preservation of National Fixed Capital. The exceptionally high levels of investment by the government in buildings, roads and machinery, means that the maintenance of this fixed capital is of paramount importance to preserve its full life span. The two particular objectives are: to preserve national fixed capital; to ensure that sufficient manpower and financial resources are available to operate the infrastructure at full capacity.

To achieve these objectives, there will be policies directed toward maintenance, training and administration.⁴⁶

4. Fiscal Management. The objectives of fiscal management are: to achieve the planned growth rate for the various sectors, in accordance with the absorptive capacity of the economy; to

⁴⁵Ibid., p. 83.

⁴⁶Ibid., p. 84.

prevent the rate of inflation from exceeding tolerable levels.

There are two policies to achieve these objectives: government expenditure will be determined strictly in accordance with the priorities of the Third Plan strategy; project management will be carefully coordinated and scheduled.⁴⁷

The Achievement of the Third Plan

During the Third Plan period, a great emphasis was laid on the producing sectors such as agriculture, oil, gas, industry, and mining. Emphasis was also given on the increased economic and administrative efficiency and social welfare. The most important achievements were:

1. Gross Domestic Product. Rose from SR17.4 billion in 1970 to SR45.26 billion in 1981. But after then when the oil price was declined the gross domestic product fell to SR48.3 billion. The impact of the international oil market caused a decline in the domestic product from the oil sector. "While in real terms the non-oil economy grew at an average annual rate of 8.5 percent during the first three years of the plan, growth rates subsequently fell to less than 1 percent in the last two years. Over the plan period as a whole, the non-oil economy grew at an average rate of 5.1 percent, close to the 6.2 percent growth rate envisaged in the plan.

Based on current prices (April 1985), the share of the non-oil sector in GDP rose from 34.8 percent in 1979/1980 (1399/1400H) to 60.2 percent in 1984/85 (1404-04H), caused by the sharp decline of the oil sector and by the continuing diversification in the economy.

⁴⁷Ibid., Chapter 3, Section 3.1.3.4, pp. 85-86.

The sectoral growth rates in the non-oil economy began to reflect in the desired structural changes resulting from the strong growth in manufacturing, agriculture, and financial services; the construction sector entered its planned phase of gradual contracting, while the distributive sectors faced a cyclical decline in their conventional activities.⁴⁸

During the Third Plan, the construction sector was made to shrink gradually. The contribution of the construction sector in 1979/1980 was 77% of the total product sectors, but in 1984/1985, this percentage declined to 65%. The growth averages of the Third Plan period were:

- Agriculture 8.7%
- Industry 14.1%
- Public Service 24%
- Transportation rose (new roads and public transportation) from 5,748.6 million to 23,430.6 million by an average annual growth of 7.1%. The total roads completed during the plan period were 32,582 kilometers.
- Real estate grew from SR5,260.4 million to SR11,057.1 million.

The third development plan continued to base the strategy for economic development in the same three key objectives which directed the Second Plan:

1. Diversification of the economic base;
2. Development of the Kingdom's manpower resources;
3. A balanced pattern of economic growth which ensures the development of all regions, extends the benefits of national wealth to all sections of the community through social development and

⁴⁸Summary of the Fourth Development Plan, 1985, p. 5.

TABLE 5

GROSS DOMESTIC PRODUCT IN THE THIRD PLAN VALUE
SR MILLION (BASED ON CURRENT PRICES)
1977/1980

	<u>1977/80</u>	<u>1984/85</u>	Growth Annual Average (based 1977/1980 prices) in Percent <u>Planned</u> <u>Actual</u>	
1. NON-OIL ECONOMY				
<u>Producing Sectors</u>				
Agriculture	4648.3	10575.3	5.4	8.7
Mining	1360.7	1594.5	9.8	5.7
Manufacturing	6466.5	13533.6	18.8	14.1
Utilities	270.8	(1486.9)	29.5	24.0
Construction	43107.6	45541.4	(2.5)	(1.4)
<u>Private Service Sectors</u>				
Trade	17759.7	27591.5	8.4	8.8
Transport	15748.6	23430.6	12.9	7.1
Real Estate	10962.3	12394.9	-	2.1
Finance	4574.5	16695.6	7.3	13.1
Other Services	2,741.3	5,257.3	14.0	13.9
<u>Government Services</u>				
	23383.8	54700.1	7.2	5.8
Sub-Total: NON-OIL SECTORS	133543.2	215627.7	6.2	5.1
2. OIL SECTOR	250046.4	142488.5	1.4	(14.6)
3. GROSS DOMESTIC PRODUCT (excluding import duties)	383589.6	358116.2	3.2	(5.8)

Source: Ministry of Planning. Fourth Development Plan 1985-1990
(Riyadh, Saudi Arabia: Ministry of Planning, n.d.), p.
6.

welfare programs; and supports individual effort and achievement.⁴⁹

The level and structure of government expenditure on development were targeted accordingly. The total government expenditure during the Third Plan was set at about SR 783 billion as per 1979/80 prices. Table 6 shows the budget amounts by development sectors and the comparison between the Third Plan expenditures and the actual government expenditures in the Second Plan period.

According to planning documents of the Fourth Plan, the actual government expenditure in the Third Plan period was SR 659.6 billion.⁵⁰ The Third Plan put much emphasis on economic resource development such as industry and mining. The expenditure on economic resource development during this plan increased from 25.1 percent to 37.3 percent as shown in Table 6. This emphasis means that there was a trend in this plan to diversify the economic base. The crude oil export revenue and financial reserves were the main sources for development planning.

⁴⁹Ministry of Planning. Third Development Plan 1980-1985 (Riyadh, Saudi Arabia: Ministry of Planning, n.d.), p. 86.

⁵⁰Ministry of Planning, The Fourth Plan 1985-1990 (Riyadh, Saudi Arabia: Ministry of Planning, n.d.), p. 65.

TABLE 6

TOTAL GOVERNMENT EXPENDITURE ON DEVELOPMENT
(1400-1405H) 1980-85⁽¹⁾

<u>Function of Expenditure</u>	<u>SR Billion Current Prices</u>	<u>2nd Plan⁽²⁾ Percent</u>	<u>3rd Plan⁽³⁾ Percent</u>
Economic Resource Development	261.8	25.1	37.3
Human Resource Development	129.6	15.9	18.5
Social Development	61.2	9.4	8.7
Physical Infrastructure	249.1	49.6	35.5
Subtotal: Development	701.7	100.0	100.0
Administration ₃	31.4	6.7	4.5
Emergency Reserves, Subsidies	<u>49.6</u>	<u>15.9</u>	<u>7.1</u>

Notes:

- (1) The total excludes: i) transfer payments; ii) non-civilian sectors; iii) foreign aid.
- (2) Based on actual and estimated values converted into 1399/1400 prices.
- (3) Administration includes: i) Ministries and Agencies with primarily administrative functions; ii) Judicial and Religious Agencies.

Source: Ministry of Planning. Third Development Plan 1980-1985 (Riyadh, Saudi Arabia: Ministry of Planning, n.d.), p. 88.

The demand for water for human consumption, agriculture, and industry had increased over the years. To meet the demands, six new plants for desalination were scheduled for completion by the third year of the third plan. By 1983, the capacity of the desalination plants rose to 413.15 million U.S. gallons per day (mgd), whereas it was only 5.12 million gallons in 1970.⁵¹

The increasing numbers of foreign labor was a big problem that became associated with the implementation of the Third Plan. The annual percentage of this factor increase was 8% (1,420,000) labor. It was more than the estimate made in the plan. The private sector was the major increase in the force. There was a surplus of labor because of the mistaken estimate in the private sector. It was thought that the development would continue to demand more labor. At the end of the Third Plan, there was a surplus of labor because of the decrease in construction and the trade sectors. The deficit in the trade was -10.1% in 1983/1984 and -4.4% in 1984/1985.

In this plan, the government continued to place emphasis on the development of human resources by providing training programs, education, and vocational education.

According to John A. Shaw and David E. Long:

⁵¹Ministry of Planning, Achievement of Development Plans (1970-1983), (Riyadh, Saudi Arabia: Ministry of Planning, 1983), p. 74.

The relatively easier goals of physical infrastructure construction have been largely met, the much more difficult goals of human resource development and the development of productive sectors of the economy other than oil have become the central focuses of Saudi economic development. There are no fast or easy answers to the problem of developing human resources. The government has provided every opportunity to its people to develop themselves through free education and vocational training.⁵²

They further observed:

The majority of Saudi Arabians, however, are satisfied with the nature of development to date - and with the flexibility shown by their government in adjusting both the speed and emphasis of the development effort to accommodate emerging situations.⁵³

⁵²John A. Shaw and David E. Long, Saudi Arabia Modernization: The Impact of Change on Stability (New York: Praeger Publisher, 1982), p. 33.

⁵³Ibid., p. 34.

VI. CONCLUSIONS AND RECOMMENDATIONS

The achievements of the first three years of the First Plan period in the Kingdom of Saudi Arabia have been much more than many other nations have accomplished in many decades. From this perspective, it can be said that all the three plans accomplished the targeted objectives. The availability of financial resources helped to accomplish the plans' objectives.

During the period of the first three years of the first five-year plan (1970-1985), growth in all sectors was satisfactory. There was growth in education, health care, social security, transportation, telecommunication, agriculture, industries, economy, water supply, roads, ports and housing.

In the agriculture sector, the Kingdom of Saudi Arabia became an export country, especially in wheat and some vegetables. Expansion in agriculture became possible because of the subsidies that government gave to farmers.

The outcome of these development plans has been very beneficial to the Kingdom as a whole. Without such planned development, it would take decades for the nation to achieve the current developed status. People and the country are doing much better now through its accomplishments within a span of more than fifteen years.

However, in view of the experiences gained from these development plans, some recommendations are being made for consideration in the formulation of future plans, as inflation is still plaguing the country.

Recommendations

It is possible to offset inflation when the expenditures of government increase or when GNP increases. In the case of Saudi Arabia, as the GNP increased, the government expenditures were also increased to implement the development plans. The government should therefore continue to take counter-inflationary measures by:

1. Increasing subsidies on essential supplies and services.
2. Increasing salaries and wages periodically.
3. Controlling the prices and rent through new regulations.
4. Controlling and balancing the relationship between demand and supply of goods and services.

Development should be continued with a concentration on some sectors such as education, health, and human resources development, and ensuring more coordination between the ministries and other agencies. Much more emphasis should be placed on education and health sectors. For the education sector, more school buildings should be constructed. Many schools are still housed in rented private premises. Most of these private premises are not suitable for school accommodation. The government should

also introduce school buses to transport the students, especially those in elementary and intermediate schools.

The health sector also needs more buildings to house health care facilities. Manpower in the area of medicine should be increased.

If these factors are considered in formulating the future plans, the accomplishments are expected to be much more meaningful for the people and the Kingdom.

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